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PROGRAMME PLANNING: COUNTRY AND INTERCOUNTRY PROGRAMMES AND PROJECTS

FIFTH COUNTRY PROGRAMME FOR SRI LANKA

Programme period	Actual resources programmed	$
January 1992-December 1996	Carry-over from fourth cycle	11 184 000
	IPF 1992-1996	45 077 000
	Other resources programmed	-
	Total	56 261 000

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I. DEVELOPMENT SITUATION, OBJECTIVES AND STRATEGIES

A. Current socio-economic situation

1. Since achieving independence in 1948, Sri Lanka has made great progress towards the achievement of economic and social development. Effective health, education and other social services have raised life expectancy, other health indicators and literacy rates to levels far superior to those of countries at a comparable level of income. Indeed, in the 1990 UNDP Human Development Report, Sri Lanka was cited for its relatively high Human Development Index (HDI) of 0.789, especially in relation to its relatively low per capita GNP of $400. The more refined HDI in the 1991 Human Development Report still accords Sri Lanka a rating of 0.665, ranking the country 75th, as compared to its per capita GNP of $420, ranking it 120th, representing the highest "positive HDI ranking" in the 1991 Report. This progress was achieved through substantial public expenditure over the years in health, education and social services, including transfer payments and subsidies. This social success, however, was at the expense of sustained economic growth, as a large and often inefficient public sector absorbed resources while inhibiting growth of the private sector. Indeed, at its height, this earlier development strategy involved assuming public ownership and control of large segments of the economy.

2. The country's development strategy shifted in 1977 with the advent of a new Government, which elected to take a private sector-led approach to development. As a consequence, during the period 1978 through 1985, economic growth increased at an annual rate of 5-6 per cent. In the mid-1980s growth slowed, however, owing to a number of macroeconomic imbalances and other factors relating to the process of economic adjustment. Also, during the last decade, the country has been beset with civil unrest due, at least in part, to the imbalance between the country's level of human development and its level of economic prosperity: there simply have not been sufficient economic opportunities in the country to absorb the relatively well-educated population. This, in turn, has contributed to a serious "brain drain" that has plagued the country. Moreover, the uncertainty of a continuing secession movement in the north and east of the country was for a time exacerbated by unrest in the remainder of the country. Although a civil war continues in the north and east, the remainder of the island is now peaceful and the Government is able to promote economic and social development in two thirds of the country.

B. National development objectives and strategies

3. The Government's current development policy framework is guided by three broad principles: (a) the private sector has primary responsibility for generating economic growth; (b) the public sector should be rationalized and its efficiency increased as a service-oriented entity; (c) the Government takes primary responsibility for ensuring that the benefits of economic and social growth are sustained and equitably distributed among the population.

Within these broad principles, the challenge to the Government has, therefore, been to strike a balance between the pursuit of economic growth and the need to maintain economic and social equity.

4. In response to this challenge, the Government has adopted a two-prong development strategy. This involves (1) restructuring government policies and institutions in support of an open market economy, and (2) addressing vigorously the problems of human development, poverty and unemployment, recognizing that a significant part of the Sri Lankan population will not benefit from the projected economic growth in the short to medium term and will require special attention. The fifth UNDP country programme has been designed to address both prongs of this strategy.

II. EXTERNAL COOPERATION

A. Role of external cooperation

5. The total value of official development assistance (ODA) to Sri Lanka, as reported by donor agencies for the year 1989 (the latest for which figures are available) amounted to $715 million. A summary of external assistance by type of assistance and donor is given in the table below, which has been extracted from UNDP's annual development cooperation report:

Summary of external assistance 1989
by type of assistance and donor
($ millions)

	UNDP	Other UN system	Multilateral (non-UN)	Bilateral	NGO	TOTAL
Technical cooperation	6.9	4.9	1.5	100.9	5.7	119.9
Investment project assistance	-	109.1	52.1	242.1	-	403.3
Balance-of-payments support	-	87.8	-	28.9	0.51	117.3
Food aid	-	4.5	-	64.3	-	68.8
Emergency relief assistance		0.8	-	4.9	-	5.7
TOTAL	6.9	207.1	53.6	441.1	6.2	715.0

6. Bilateral assistance of $441.1 million made up 62 per cent of total external assistance. Of this amount, the Government of Japan contributed $294.3 million, which represented 67 per cent of total bilateral assistance, or 41 per cent of total external resources, making it the largest single donor in Sri Lanka. The agencies of the United Nations system together contributed $213.9 million, or 30 per cent of total external resources. Within the United Nations system, World Bank capital assistance amounted to $105 million, whereas the International Monetary Fund balance-of-payments assistance amounted to $88 million. Outside the United Nations system, the Asian Development Bank contributed $54 million, most of which was in capital assistance. UNDP programme delivery of $6.9 million in 1989 represented 58 per cent of United Nations system technical assistance activities, and 6 per cent of technical cooperation from all sources.

B. Aid coordination arrangements

7. The External Resources Department (ERD) of the Ministry of Finance is charged with the responsibility of managing and coordinating official external assistance, in cooperation with the Ministry of Policy, Planning and Implementation (MPPI), which prepares the rolling five-year public investment programme (PIP), in collaboration with line ministries. ERD is also the focal point for UNDP assistance to the country. Development projects are approved by the Committee of Secretaries and the Cabinet and then included in the Government's annual budget. Capital and grant requirements from external sources are specified, and the ERD makes a determination as to the appropriate donor with which to negotiate possible assistance.

8. A Sri Lankan aid group meeting is convened annually in Paris under the chairmanship of the World Bank. These meetings are intended to brief donor countries on the state of the Sri Lankan economy, and the major adjustments and corrective measures being taken by the Sri Lankan Government. On that occasion, the Government also presents its report on foreign assistance requirements and its proposals for the utilization of these funds. Two or three times each year, the Government convenes meetings of local representatives of the aid group to update them on recent developments.

9. The UNDP Resident Representative acts as the Resident Coordinator of the United Nations system in Sri Lanka and represents the system in the aid group. In Colombo, he holds regular meetings with United Nations agency representatives and country directors for the purpose of coordinating activities and exchanging information on a broad range of subjects relating to programme, administrative and security matters. In association with the Government, he also convenes donor meetings to discuss specific developments or emergency needs, as necessary. There are also several ongoing donor groups in fields such as emergency assistance, food aid, NGO activities and population.

III. THE COUNTRY PROGRAMME

A. Assessment of the ongoing country programme

10. The ongoing fourth country programme was approved by the Governing Council in June 1987 and covers the period 1987-1991. Total resources of $50.5 million were approved for programming over this period. The following major themes were originally established as a basis for programming under the fourth country programme: (a) optimizing production of basic food items; (b) diversification and expansion of exports; (c) stimulating industrial growth; (d) infrastructure development and rehabilitation; and (e) employment generation and increasing incomes.

11. The principal findings that have emerged from periodic reviews of the fourth country programme, conducted in association with UNDP and partner United Nations executing agencies, may be summarized as follows:

(a) While the original priorities of the programme and choice of themes continue to be valid at the close of the fourth country programme, the project orientation of the programme has not made it easy to evaluate impact or performance. The breaking down of the programme into an average of 128 virtually stand-alone projects has made programme focus elusive, and the management of the programme by the Government and the UNDP field office, a difficult task;

(b) On the other hand, it is possible to cite specific cases of project success in terms of building capacity in an institution or introducing an innovative process or procedure, particularly in projects where UNDP has had a long involvement. For example, UNDP/FAO assistance in sericulture resulted in the introduction of silk production in Sri Lanka;

(c) The serious political turbulence which characterized the earlier years of the fourth country programme namely, the youth unrest in the South of the country in 1988/89 and the continuing conflict in the North and East since 1983, clearly had an adverse impact on the delivery of the programme. This was manifested in the inability in some cases to field missions from both within and outside the country, limited mobility to project sites, lack of counterpart funding and inadequate personnel, due in part to reallocation of government resources for defence/security purposes. Fortunately, from early 1990, the situation in this regard in the southern two thirds of the island improved greatly, enabling the programme to regain its momentum;

(d) In terms of programme inputs, a steady decrease in the number of long-term international experts and a concomitant increase in short-term consultants can be seen. There is also a striking increase in national experts, with Sri Lankans representing two thirds of long-term experts and roughly 50 per cent of short-term consultants. In view of the appreciable cost differential, the real level of UNDP inputs has, therefore, increased;

(e) In terms of management, all projects in Sri Lanka have been led by a Sri Lankan Project Director, and a common feature of successful projects has been the presence, and continuity, of an energetic and purposeful National Director;

(f) Finally, while the potential exists for greater national execution and implementation of the programme, progress in the use of the modality to date has not been significant. Only 11 projects have been nationally executed in the current programme. This is due, in part, to the fact that while the Government certainly wishes to - and does - exercise direction and control of the programme, it does not always readily possess the resources (human and financial) to administer UNDP inputs.

B. Proposals for UNDP cooperation

1. Preparatory process

12. The preparation of the fifth country programme for Sri Lanka spanned the years 1990 and 1991. During 1990 and the early part of 1991, UNDP funded a series of sectoral programming missions from the principal specialized agencies of the United Nations system. These were matched by an internal review process undertaken by a number of key ministries within the Government, in which their priority needs were identified. This exercise yielded a wide range of proposals for UNDP assistance.

13. Programme ideas have also emerged from a continuous process of donor consultations in Colombo under the aegis of the annual consultative group meetings. Sri Lanka is currently implementing a substantial structural adjustment programme with an enhanced structural adjustment facility from the International Monetary Fund (IMF) and an economic restructuring credit from the World Bank. The multiple demands of these programmes have contributed significantly to the agenda for UNDP assistance under the fifth country programme. In fact, there are 19 points of interface between the World Bank and the UNDP programme.

14. Simultaneously, at the macro-level, a senior international consultant was engaged to assist in assessing Sri Lanka's experience of UNDP assistance during the fourth country programme, and formulate options for UNDP assistance under the fifth country programme.

15. The final version of the fifth country programme was assembled after a series of intensive discussions with the central planning authorities and principal line ministries, as well as UNDP and United Nations specialized agencies. The five-year programme presented in this document, therefore, represents a consensus reached by all the parties to be engaged in the implementation of the programme in the next five years.

2. Strategy for UNDP cooperation

16. The Government has taken note of Governing Council decision 90/34 of 23 June 1990, which identifies six areas of focus to be reflected in UNDP-funded activities. Sri Lanka was a member of the Council which adopted this decision and is pleased to endorse these priorities. They are issues which have been central to Sri Lanka's own development philosophy and strategy. It is the Government's intention to have these areas of focus permeate the fifth country programme, and influence the project cycle from identification through post-project evaluation.

17. The fifth country programme will be structured along the following four main themes, which reflect the principal development priorities of the Government:

Theme I. Consolidation of an outward-looking, open market economy;

Theme II. Improvement of public-sector management of the development process;

Theme III. Human development and poverty alleviation;

Theme IV. Management of natural resources and the environment.

Each of the four themes is supported by a number of sub-themes with specific objectives. Taken together, the sub-theme objectives and their subsidiary programmes are designed to contribute to realizing the national objectives elaborated under each of the main themes, which are more fully developed under section 3 below. Performance indicators are also provided for each of the main themes. These indicators represent the criteria against which the achievements of the sub-themes will be measured.

18. Within the above thematic framework, the programme is to be managed on a continuous, rolling basis to allow the Government to make adjustments in a realistic manner, taking into account changing needs and priorities and the outcome of tripartite reviews and evaluations. This is consistent with the Government's practice of planning its development programmes on the basis of a rolling five-year public investment programme.

19. As mentioned earlier, the Sri Lanka country programme has in the past been characterized by a scatterization of projects. In the last 18 months of the fourth country programme, however, efforts have been made to move closer to a programme approach, on the basis of opportunities that have allowed for its use. The proposed fifth country programme is, therefore, composed of a mix of projects and programme-oriented modalities in a transition phase. The overriding consideration will continue to be effective technical cooperation in support of government programmes.

20. Efforts have been made under the fourth country programme to coordinate the programmes of UNDP, UNFPA and UNICEF. During the fifth country programme

in which each of the three programmes is co-terminous, efforts will be intensified to identify areas of collaboration and to achieve integration at the operational level in areas in which there may be overlap or complementarity.

21. Resources available under the fifth country programme will not be adequate to meet all the technical cooperation requirements under the various themes and sub-themes identified below. The Government, with UNDP assistance, will therefore continue actively to seek cost-sharing and parallel financing for the UNDP-assisted programme from all available multilateral and bilateral sources in areas falling under the main themes of the fifth country programme.

22. The fifth country programme will continue to finance pre-investment and investment support activities relating to policy or programme-based loans of partner international financial development institutions in national programmes falling under the main themes of the programme. In so doing, the Government will ensure that UNDP is an active partner with the Government and the international financial institutions in defining and addressing the capacity-building requirements of such loan programmes.

23. Stronger linkages between the country programme and the fifth intercountry programme will be fostered. In particular, there is a need to ensure complementarity and coordination at the operational level. Also, greater use will be made of institutions assisted by the intercountry programme under its "common services" approach for the training of government personnel. Efforts will be made to ensure that formulation missions on the fifth intercountry programme come into direct contact with national project directors and substantive programme staff of the field office so as to reinforce complementarity and to minimize overlap with existing country-level activities.

24. The Government considers UNDP to have certain comparative advantages. It sees UNDP as a valuable point of access to the expertise and experience of the United Nations system. Its multilateral neutrality allows the Government to refer to it for independent advice, or for a second opinion, sometimes on sensitive policy issues. On occasion it requests UNDP to act as interlocutor between itself and the donor community on matters on which it may wish to have an informal assessment. The UNDP Resident Representative's capacity as Resident Coordinator for the United Nations system's operational activities for development at the country level facilitates the Government's dealings with the United Nations system. The grant nature of UNDP assistance offers the Government an important source of funds for sometimes high-risk activities. Lastly, the emphasis of UNDP assistance on capacity building, national self-reliance, human development and technology transfer, make it a valued long-term development partner of the Government.

3. Areas of concentration

THEME I: Consolidation of an outward-looking, open-market economy (25 per cent)

(a) National objectives

25. The Government's strategic objective, adopted in 1977, to transform Sri Lanka into an open economy with minumum regulations, open trade and investment opportunities and a free market mechanism to determine pricing and resource allocation continues to be a firm and total commitment. In 1989 and more recently, the Government has pursued this objective with renewed vigour. In December 1989 it issued a strategy for industrialization in Sri Lanka, the key objective of which is to accelerate the transformation to an export-oriented, open economy, based on the country's comparative advantages, within a more competitive and deregulated environment. The strategy includes proposals for: (a) adopting prudent macroeconomic policies and mobilizing savings; (b) encouraging foreign investment; (c) establishing neutrality between public and private sector ownership and rationalizing public enterprises; (d) promoting research and training; (e) removing administrative barriers; (f) providing industrial incentives. These are policy areas in which both the World Bank and the United States Agency for International Development have large assistance programmes. UNDP works closely with both organizations in this field.

(b) Proposed UNDP cooperation

26. To support the Government's national objectives under theme I, it is proposed that UNDP assistance be deployed on the basis of four interrelated sub-themes, as follows:

Sub-theme I: investment promotion

27. Under this sub-theme, the principal objective is to develop an institutional mechanism to help articulate and support the Government's overall foreign investment strategy within the framework of its industrialization programme. One target of UNDP technical cooperation, which will be implemented in association with UNIDO and the World Bank is the Industralization Commission, a high-level inter-agency body responsible for implementing the Government's industrialization strategy. A second institutional target is the Greater Colombo Economic Commission (GCEC), which is responsible for the promotion of foreign investment throughout the island as well as for the Colombo area. Discussions are also under way between UNDP and the foreign investment advisory services of the IFC/World Bank in regard to further institutional support on foreign investment promotion, thus providing, inter alia, further complementarity with UNDP's intercountry programme.

Sub-theme 2: export promotion

28. The primary objective under this sub-theme is to consolidate the mechanism within the Government to undertake export promotion and management in the context of a UNDP-assisted export promotion support programme. The main institutional target is the Export Development Board (EDB), the government export service agency for all exporters and producers in industry, agriculture and the service sectors. Earlier UNDP assistance to EDB, in association with the International Trade Centre, has resulted in some successful development and marketing overseas of certain product lines. This assistance will continue, building on the experience gained at the enterprise level and coordinated with similar assistance provided under the intercountry programme. Assistance will also be provided in developing simplified, but competitive export incentives for the private sector. Further, an assessment will also be made for UNDP assistance in the formation of exporters' groups, which are an important institutional underpinning for export promotion.

Sub-theme 3: technical support to industry

29. The objective of UNDP assistance, in association with UNIDO, is to create a capacity in selected institutions to support the private sector in establishing industrial standards for manufacturing and acquiring modern technological processes and business systems. This is intended to enhance the quality of Sri Lankan industrial products in general, and to make them more competitive in the export market. It also includes facilitation of access to export markets, information technology, manpower development at different levels, and rehabilitation and reactivation of industries. Pipeline activities include: assistance to enhance the manufacturing processes of the foundry industry and the development of an industrial technological information network to encourage the active exchange of information for private and public sector use.

Sub-theme 4: technical support to agriculture and fisheries

30. The emphasis in this sub-theme will be on the further development of agricultural production and agro-industry through interventions in certain selected product areas, in full recognition of the fact that this is predominantly a private sector activity in Sri Lanka. In this vein, programmes are being developed, in association with FAO, in the field of sugar, horticulture, palmyrah and silk. A new programme focusing on the propagation of new planting materials, and the development of an agricultural market information and dissemination system will be undertaken. Finally, a fisheries development programme is being formulated, in association with FAO and the Asian Development Bank.

Theme I performance indicators:

31. Although UNDP's contribution may be modest in quantitative terms and should be seen as being closely linked with many other activities, the principal indicators of success under this theme would be: a high and

sustained level of economic growth; an enhanced and sustained level of domestic and foreign private investment; a restructured and rejuvenated GCEC; improved quantity, quality and exportability of the industrial and agro-industrial product areas assisted.

THEME II: Improvement of public sector management of the development process (30 per cent)

(a) National objectives

32. In tandem with its objective of liberalizing the economy and recognizing the private sector as the main engine of economic growth, the Government is pursuing the complementary objective of streamlining the public sector to make it more efficient and service-oriented. This includes public enterprise reform, which encompasses the "peoplization", or privatization of public enterprises for which a healthier competition in a private sector setting would be to public advantage. The Presidential Commission on Privatization, which was established in 1987, is charged with overseeing this programme. Since the Government will continue to provide certain essential economic services in the fields of transportation and communication, through restructured public entities, it has also undertaken to improve the regulation, management and delivery of these services.

33. Another government priority under this theme relates to administrative reform, which focuses on administrative decentralization and devolution of authority to the local levels of government, as well as the rationalization of the civil service. These policy objectives are embodied in the 13th Amendment Act of 1987 and in the work of the Administrative Reform Committee.

(b) Proposed UNDP assistance

34. Theme II will have the following sub-themes and associated objectives in support of the Government's priorities identified above:

Sub-theme 1: public administration reform

35. This sub-theme will have as one of its main objectives the creation of an institutional mechanism within the Government for enhancing public sector restructuring. It is intended that this will be achieved through a public sector restructuring programme assisted by UNDP with resources from the Management Development Programme and the IPF. The public sector restructuring programme will, in its initial stage, establish a restructuring management unit (RMU) which will be charged with guiding and coordinating initiatives from various government agencies in the areas of public administration and public enterprise reforms.

36. A second related objective is the introduction of improved policies, systems and procedures, as well as the training of government personnel, in a number of public institutions dealing with customs administration, auditing and social security administration.

Sub-theme 2: economic and social planning

37. Activities under this sub-theme will have as their primary objective the improvement of public sector capacities in the field of strategic and regional planning with a view, inter alia, to bringing economically depressed areas into the mainstream of development. In this sense, there is a strong linkage between the sub-theme and major theme III concerning human development and poverty alleviation. Activities will support the formulation and management of a southern area development plan, which includes the south-east dry zone of the island, and the tourism master plan. UNDP's technical cooperation will complement the capital assistance provided by the World Bank, the Asian Development Bank and the Japanese Government, as well as other bilateral aid agencies, for the economic development of the southern region. An important element of the sub-theme will be assistance in strengthening the Government's mechanism for the management and coordination of external assistance.

Sub-theme 3: rehabilitation and reconstruction in the north and east

38. Continuing conflict in the north and east of the island has severely hampered development. In these parts of the country, normal economic and social development has gone into reverse for some years as a result. In the current country programme, UNDP technical cooperation has assisted in reinforcing the Government's institutional mechanism for designing, managing and monitoring the rehabilitation and reconstruction efforts of the Government in the north and east of the country. The Government's efforts have been supported by the World Bank and a number of donor Governments following a special pledging meeting in 1987. For a period in 1989 and early 1990, important headway was achieved. However, renewed hostilities have put a halt to activities for the time being. The Government is, nevertheless, hopeful of progress towards a peace settlement and has sought UNDP's continued support for this "programme in waiting", which encompasses an area representing one third of the island.

Sub-theme 4: economic infrastructure management

39. This sub-theme is designed to support the Government's efforts at improving the regulation, management and delivery of economic services in the areas of road and railway transport, civil aviation, posts and telecommunications. Some of these services are in the process of being privatized, others will be provided by newly "corporatized" entities. All are in need of technical cooperation focused on institutional change and capacity building, in support of the transition to a new modus operandi.

Theme II performance indicators:

40. Principal indicators of success under this theme would be: a leaner, more efficient and service-oriented public administration; an improved articulation of policy development and programme management between central government and provincial administrations; a strategic plan for regional development with related policies and investment programmes; and the north and

east of the island rehabilitated and participating in the economic and social development of the country.

THEME III: Human development and poverty alleviation (25 per cent)

(a) National objectives

41. The Government's poverty alleviation objectives are predicated on the notion that it has primary responsibility for ensuring that the benefits of economic and social growth are distributed equitably among the population, in particular the poor and the disadvantaged, women and youth. The Government is conscious of the fact that no matter how successful its strategy of promoting growth through an open market economy might be, this will not be likely to generate enough jobs to solve the problem of poverty and unemployment among the disadvantaged in the short to medium term. The second leg of the Government's development strategy is, therefore, an energetic attention to human development as a whole and an assault upon poverty itself through special interventions which will provide opportunities for self-help action, productive employment and increased productivity. An essential text for this theme is the Report of the Presidential Commission on Youth Unrest, completed in 1990, which provides a powerful analysis of the problems that the country faces in this respect. The rationalization of large transfer payments to households, approximating 3 per cent of GDP in the 1990 budget, as well as the elimination of a number of consumption subsidies, such as those for wheat, rice, fertilizer and transportation, have also required measures to protect the poorest segments of society from the adverse effects of the adjustment process. The centre-piece of the Government's efforts in poverty alleviation is the Janasaviya Programme launched by the President in 1988 to provide poor segments of the population with access to productive resources and strengthened capabilities for managing these.

(b) Proposed UNDP cooperation

42. UNDP assistance under this theme is intended to address the above national objectives through the five sub-themes described below:

Sub-theme 1: institutional support to poverty alleviation

43. UNDP assistance under this sub-theme will support the poverty alleviation efforts of the Government in the context of a programme which will have as its centre-piece the Janasaviya Trust Fund. Earlier UNDP assistance, in association with the World Bank, provided the intellectual rationale for the institutional structure of the Fund itself. Continuing assistance under the fifth country programme will aim at consolidating the management systems of the Trust as well as at building capacities in the partner organizations, principally non-governmental organizations, which will act as intermediaries between the Trust Fund and the poor - to deliver credit and skills development services. The Trust Fund is also to be assisted by an IDA credit of approximatley $57.5 million for its credit and non-credit operations, while the Federal Republic of Germany has indicated support for approximately

$10 million to finance sub-loans of partner non-governmental organizations not coming under the IDA credit.

44. Another component of the poverty alleviation programme foreseen is UNDP assistance to the second Badulla integrated rural development programme, which is supported through a loan from the International Fund for Agricultural Development. This programme, which is to target an economically depressed eastern central district of the country, will involve a number of government agencies at the district level for a concerted employment creation effort through, inter alia, rural infrastructure works.

Sub-theme 2: social mobilization

45. The objective of this sub-theme is to enhance the ability of selected local NGOs to act as change agents and catalysts for the poor and disadvantaged. This is to be achieved through an integrated programme which will include an expansion of the United Nations Volunteer/domestic development services programme whereby UNV/DDS field workers are assigned to local NGOs to assist communities in developing viable development projects. The programme will also make available seed money to development projects formulated by local communities, who will be expected to put in most of the management and labour for such projects.

Sub-theme 3: employment creation/skills development

46. The objective of this sub-theme is to strengthen the capacities of a number of institutions to impart skills which will allow recipients, in particular the poor and women, either to become self-employed as entrepreneurs or to become salaried workers. In this sense, this sub-theme supports poverty alleviation through the creation of marketable skills, which also supports the development of small private businesses.

47. A programme, launched in late 1990 in association with ILO and designed to re-train thousands of returning workers displaced by the Gulf war, will continue into the fifth country programme. The Swiss Government and the Government of Canada have provided parallel funding under this programme, which represented an example of UNDP's capacity to respond rapidly and flexibly to changing circumstances, due in part to the existence of a UNDP/ILO intercountry project in the field of labour migration.

Sub-theme 4: education

48. Activities under this sub-theme currently support teaching in specialized fields, such as the training of marine engineers and the development of advanced degrees in computer science, for which there are shortages of highly trained manpower in the economy. UNDP assistance has made important headway into these areas, but further assistance will be necessary to institutionalize the methodologies, systems and procedures introduced.

49. Opportunities are being identified which would allow UNDP assistance to focus on traditional areas of strength of United Nations system agencies, such as educational planning, standard setting and teacher training. In this connection, pipeline activities include supporting the Government's general education policies, which will also be assisted by the Asian Development Bank. Another area will be the establishment of vocational training standards both to ensure quality control in the formulation of vocational training programmes and to align the supply of trained people with the market demand for their skills. This latter programme will be predicated on the fact that much of the vocational training available in Sri Lanka can and should be provided by the private sector, which must, however, be regulated in so far as standards are concerned.

Sub-theme 5: health

50. The sub-theme focus here will concentrate on the national AIDS/STD prevention and control programme, which is being assisted by UNDP, in association with WHO, and which represents the Government's own comprehensive action programme to combat the spread of AIDS. This national programme is closely coordinated with the UNDP/WHO global programme on AIDS. Another activity will be the development of a food inspection control programme, the purpose of which will be to ensure health standards in the food sold to the public, particularly to screen out food items containing toxic and other hazardous chemicals.

Theme III performance indicators:

51. The principal indicators of success in this theme would be: a lower level of poverty and unemployment and a higher level of private and community enterprise in the poorer areas of the country; a fully functional and self-reliant Janasaviya Trust Fund; clear and demand-oriented standards for vocational training; consumer food items free of toxic and hazardous chemicals, and a coherent and comprehensive nationwide AIDS programme.

THEME IV: Management of natural resources and the environment (15 per cent)

(a) National objectives

52. Despite having made good progress in managing its population (it has a growth rate of approximately 1.3 per cent per annum and is aiming at replacement level by the year 2000), Sri Lanka is already a densely populated island. As a result, the island has already experienced a substantial deterioration in its environment: deforestation, soil erosion and landslides are widespread. Problems of environmental sanitation and industrial pollution, particularly but not exclusively in the urban areas, are of increasing importance and, if they are not tackled, will continue to develop alongside economic prosperity.

53. Sri Lanka has a tradition of awareness of such issues and has an active NGO community which ensures that environmental concerns are built into

development programmes. It published its national conservation strategy in 1988 and established a Ministry of the Environment in 1990. The national conservation strategy has now been transformed into a set of policy guidelines and action-oriented plans under a national environment action plan. In 1991, it also established a national environmental steering committee to review and to coordinate intersectorally all environmental policy issues. The Government, with USAID assistance, has launched a programme to develop a natural resource management and environmental policy. The programme is designed to improve public and private institutional performance in formulating and implementing effective environmental policies and to increase public awareness of environmental issues. The establishment of these institutions and programmes shows a clear and serious concern for a better environment in the context of economic development.

(b) Proposed UNDP assistance

54. The objective of UNDP assistance under this theme is to create a capacity in selected government agencies and departments for effective environmental planning, and management and pollution control. UNDP's assistance in formulating the national report on the environment for Sri Lanka as an input to the United Nations Conference on Environment and Development in Brazil in 1992 serves as an important document for the Government in identifying potential gaps in technical cooperation in implementing a national environmental action plan. The Government will be pursuing a continuing dialogue with UNDP on identifying possible areas of interaction for UNDP and other donor support. For the present, the sub-themes supporting UNDP's assistance under this theme are set out below.

Sub-theme 1: environmental management of natural resources

55. In the area of natural resources, UNDP assistance has been supporting the environmental component of a multi-donor-funded (World Bank, ODA, FINNIDA and USAID) forestry development project. This assistance will continue into the fifth country programme. Assistance to marine research for the identification of food products and for marine environmental protection will also continue. In the pipeline is a wildlife conservation programme, with a bio-diversity component, designed to support the wildlife conservation plan of the Government. This programme is to be financed from the Global Environment Facility (GEF).

Sub-theme 2: environment planning at urban and district level

56. Ongoing activities support the creation of institutional capacities on landslide hazard mapping, land use management and planning. These important activities will continue into the next country programme. Ongoing support for developing district water plans, and addressing environmental considerations in three selected districts will be expanded in the fifth country programme to cover additional districts. Also planned is a waste water and sanitation programme for Greater Colombo to address the various environmental considerations in the disposal of waste water within the capital city. This

emanated from the metropolitan environmental improvement programme, assistance provided by a UNDP regional project in association with the World Bank, and is intended to complement a USAID-funded master plan for water supply for Greater Colombo.

Sub-theme 3: industrial pollution control

57. The objective of this sub-theme is to support the Government's efforts in reducing industrial pollution and in managing toxic and hazardous wastes which pose health risks to people and damage the environment. An industrial pollution control programme with special emphasis on textile and food industries will be formulated, in association with UNIDO and WHO, and will include the following components: (a) establishment of a demonstration effluent treatment plant; (b) rehabilitation of the laboratory facilities of the Central Environmental Authority; (c) development of a pollution control database at the CEA; (d) the formulation of industrial pollution control measures for the export promotion zone; and (e) control of the use of toxic and hazardous chemicals in industry.

Theme IV performance indicators:

58. Principal indicators of success under this theme would be: an environmentally sound strategy for forestry development; an environmentally sound and sustainable strategy and programme for wildlife development and management; improved environmental planning at the urban and district levels; a comprehensive and technically sound strategy for ensuring that industrial development is environmentally neutral.

C. Implementation and management arrangements

59. The fifth country programme will be managed jointly by the External Resources Department of the Ministry of Finance and UNDP, in close collaboration with the Ministry of Policy, Planning and Implementation, which is responsible for intersectoral coordination within the Government and for drawing up the public investment programme and other government plan documents. As with PIP, the Government will review the performance of the country programme as a whole annually, in particular the degree to which its objectives are being met. This will be done by close tracking of the performance indicators for each of the major themes.

60. The Government supports the modality of national execution as this fully reflects its policy of having all national programmes managed by Sri Lankans. While it also intends to increase the number of nationally implemented activities during the fifth country programme, it nevertheless wishes to determine its use of this modality on a case-by-case basis until a capacity is built up, within an appropriate entity of the Government, to allow it to be the normal mode of programme implementation. In this connection, UNDP assistance under the fifth country programme will include activities intended to build up a national implementation capacity within an appropriate

Government agency, through use of the remaining balance of Add-on Funds, or IPF funds, if financing is insufficient. In cases where national implementation of UNDP inputs is the preferred modality and, for the time being, this is likely to be in situations where there are existing, experienced governmental structures with capacity to manage an externally funded assistance programme, the Government may opt for any of a range of cooperating agency arrangements with United Nations agencies, that is, from a 100 per cent cooperating agency arrangement to full national implementation.

61. It is intended under the fifth country programme that United Nations specialized agencies will play an important role in undertaking sectoral reviews, on a needs basis, in areas falling under their expertise. Such sectoral reviews, or updates thereof, can conveniently be planned during the annual review of the programme. This programme-level support is, in fact, consistent with the way United Nations agencies have been used in formulating this programme and with the technical support services expected of agencies under the successor support cost arrangements adopted by the Governing Council in its decision 91/32.

62. In addition to the thematic thrust of the fifth country programme, the implementation of the country programme will be supported through:

(a) A consultancy and training project which will facilitate the management of individual programme or project cycles (identification, formulation, appraisal and evaluation), and also provide a capability to respond to priority concerns of the Government;

(b) A TCDC, TOKTEN and UNISTAR consultancy fund, bringing under one management structure these modalities, the use of which will permeate all parts of the UNDP programme;

(c) A continuation of the existing programme logistical support project to provide logistical and administrative support to individual projects and missions on a pooled basis.

These programme management tools are expected to represent 5 per cent of overall programme delivery during the fifth cycle.

Annex I

FINANCIAL SUMMARY

I. ESTIMATED RESOURCES (IPF + COST-SHARING) TAKEN INTO ACCOUNT FOR PROGRAMMING

(Thousands of dollars)

Carry-over from fourth cycle IPF	11 184	
Fifth cycle IPF	45 077	
Subtotal IPF		56 261
Project cost-sharing (Government)	-	
Project cost-sharing (third party)	-	
Programme cost-sharing	-	
Subtotal cost-sharing		-
TOTAL		56 261

II. ALLOCATION OF RESOURCES (IPF + COST-SHARING) BY AREA OF CONCENTRATION

Area of concentration	IPF	Cost-sharing	Total	Percentage of total resources
Consolidation of an outward-looking, open market economy	14 065	-	14 065	25
Public sector management of the development process	16 879	-	16 879	30
Human development and poverty alleviation	14 065	-	14 065	25
Management of natural resources and the environment	8 439	-	8 439	15
Programme management	2 813	-	2 813	5
Subtotal	56 261	-	56 261	100
Unprogrammed reserve	-	-	-	-
TOTAL	56 261	-	56 261	100

III. COMPLEMENTARY ASSISTANCE FROM OTHER SOURCES USED IN AREAS OF CONCENTRATION

(Thousands of dollars)

A. UNDP-administered funds		
Special Programme Resources	1 122	
UNCDF	-	
UNSO	-	
UNIFEM	-	
UNRFNRE	360	
UNFSTD	-	
Subtotal		1 482
B. Other United Nations sources		
JCGP participating agencies		
UNFPA	6 000	
UNICEF	26 000	
WFP	30 000	
IFAD	9 900	
Subtotal		71 900
Other United Nations agencies (non-UNDP financed)	13 500	
Global Environment Facility	4 000	
Subtotal		17 500
Total non-core and other United Nations resources		90 882
C. Non-United Nations resources		250
TOTAL		91 132

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Annex II

PROGRAMME MATRIX

Area of concentration	Area of focus a/					
	Poverty eradication and grass-roots participation	Environment and natural resource management	Management development	TCDC	Transfer and adaptation of technology	WID
I. CONSOLIDATION OF AN ONWARD-LOOKING OPEN MARKET ECONOMY						
Investment promotion			*	*	*	
Export promotion			*	*	*	*
Technical support to industry		*	*	*	*	*
Technical support to agriculture and fisheries	*	*	*	*	*	*
II. IMPROVEMENT OF PUBLIC SECTOR MANAGEMENT OF DEVELOPMENT PROCESS						
Public administration reform			*	*	*	*
Economic and social planning	*	*	*	*	*	*
Rehabilitation and reconstruction	*	*	*		*	*
Economic infrastructure management			*		*	
III. HUMAN DEVELOPMENT AND POVERTY ALLEVIATION						
Poverty alleviation	*		*	*		*
Social mobilization	*		*	*		*
Employment creation and skills development	*	*		*		
Education	*		*	*	*	*
Health	*		*		*	*
	*	*	*		*	*
IV. MANAGEMENT OF NATURAL RESOURCES AND ENVIRONMENT						
Natural resources management		*	*		*	*
Environment planning		*	*	*	*	
Industrial pollution control		*	*		*	

a/ Asterisks indicate major linkage only.

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PROGRAMME PLANNING

Country and intercountry programmes and projects

FIFTH COUNTRY PROGRAMME FOR SRI LANKA

Note by the Administrator

I. THE PROGRAMMING PROCESS

1. The formulation of the fifth country programme for Sri Lanka began in early 1990 and involved the External Resources Department of the Ministry of Finance, the focal point for development assistance in the Government, as well as the Ministry of Policy Planning and Implementation, which is responsible for drawing up the five-year national plan and comes directly under the President.

2. The preparatory process itself spanned a period covering approximately 18 months, from March 1990. Between March 1990 and March 1991, a number of sectoral review missions were fielded from the principal specialized agencies of the United Nations system under funding from UNDP. These were in the areas of tourism, civil aviation, industry, education, science and technology, agriculture, forestry and fisheries, rural employment and vocational training, management development, and human settlements. Extensive consultations involving the substantive sectoral ministries of the Government, the World Bank and the International Monetary Fund (IMF), and also bilateral aid organizations accompanied each of these missions. At the same time, consultations were held with the resident United Nations agency team, comprising the Food and Agriculture Organization of the United Nations (FAO), the United Nations Children's Fund (UNICEF), the World Health Organization (WHO), the United Nations Population Fund (UNFPA), the International Labour Organisation (ILO), the United Nations Industrial Development Organization

(UNIDO) and the World Food Programme (WFP), on potential areas of collaboration in the next country programme. In mid-1990, a senior international consultant was also engaged to assist in assessing, at a macro-level, the experience to date of technical cooperation provided through UNDP, and in facilitating an exchange of preliminary ideas among the Governments, UNDP and the donor community on possible areas for technical cooperation.

3. The above process, in which the Government was a very active partner, provided the basis on which the advisory note was prepared and submitted to the Government in February 1991. Further consultations with the Government confirmed the validity of the proposed policy framework and strategy contained in this note. A series of intensive meetings between the UNDP field office and virtually every sectoral ministry in the Government took place in May 1991 to give operational expression to the main themes and sub-themes that had emerged and which are now embodied in the fifth country programme.

II. ANALYTICAL COMMENTARY ON THE COUNTRY PROGRAMME

4. The Government of Sri Lanka has proposed four main themes as a basis for programming UNDP assistance under the fifth country programme:

Theme I - Consolidation of an outward-looking, open market economy;

Theme II - Improvement of public sector management of the development process;

Theme III - Human development and poverty alleviation;

Theme IV - Management of natural resources and the environment.

5. The Administrator is of the view that the overall strategy adopted for the use of UNDP resources is appropriate, namely, to target critical deficiencies in institutions and gaps in skills in the public, non-governmental and private sectors, and also to provide direct, objective policy support within the main themes and sub-themes identified for UNDP assistance in the next country programme. UNDP assistance will have as its ultimate objective the creation of capacities within and outside the Government to help it realize its own development plans. It should further be noted that the programme contains measurable indicators of success at the level of the four principal themes which, while they should be treated with caution in view of the fact that UNDP assistance is only one player in a complex picture, nevertheless add precision to the themes and focus for management of the programme.

6. In the Administrator's view, the proposed themes for the fifth country programme respond closely to the Government's development needs and priorities as reflected in its development policy framework:

(a) The Government's emphasis on promoting economic growth through the consolidation of an outward-looking, open market economy and its intention of generating employment opportunities thereby, tackles the greatest deficiency in the country's development strategy to date;

(b) As regards reform of the public sector, there is widespread recognition in the country that this is an essential complementary process to opening up the economy and stimulating private enterprise. Redefining the purpose and scope of public sector management, and restructuring the public sector accordingly, represent a major challenge in Sri Lanka, as elsewhere. It is also, in the Administrator's view, a particularly appropriate focus for UNDP technical cooperation, since it involves policy development, capacity building and institutional change;

(c) Sri Lanka has long had progressive policies with respect to health and education and this is reflected in its high human development index (HDI) ranking in the 1991 Human Development Report when compared with other developing countries of a comparable gross national product (GNP) per capita level. Moreover, it manifests a commendable and tangible commitment to tackle poverty and employment directly, by means of targeted programmes, as well as indirectly through economic growth. The country has a long history of commitment to human development and this, of course, represents an appropriate focus for UNDP assistance.

(d) As regards sustainable management of the country's natural resources, the Government has a record of awareness of such issues, has published a national conservation strategy and a national environmental action plan and has prepared an unusually detailed national report for the forthcoming United Nations Conference on Environment and Development (UNCED). All of these were prepared through a broad-based consultative process, in which there was active NGO participation. The fifth country programme is clearly intended to assist the Government to build on this fine foundation.

7. The fifth country programme also reflects the areas of focus enunciated in Governing Council decision 90/34. In the Administrator's view, the Government of Sri Lanka is fully committed to addressing these issues. Some of these - such as poverty eradication, grass-roots participation, environment and natural resource management, and management development - find expression in the themes and sub-themes selected for the country programme. The other areas of focus, technical cooperation among developing countries (TCDC), transfer and adaptation of technology, and women in development - cut across the programme as a whole. Thus, for example, the 1991 Human Development Report indicates that Sri Lanka's gender-sensitive HDI is lower than its overall HDI, confirming that much work still needs to be done in this area. All programmes and projects in Sri Lanka will therefore be subjected to the gender analysis during formulation and throughout implementation. Similarly, TCDC is firmly embedded in Sri Lanka's mode of programme implementation and a facility will be provided in the fifth programme to foster this further.

8. The country programme document notes that there continues to be a civil war affecting one third of the island, in the north and east. It further notes that, owing to this, normal development work cannot be undertaken in that part of the country for the time being. The programme, however, contains a clear commitment to bring this part of the country into mainstream development programmes as soon as possible and includes provision for a continuation of the rehabilitation and reconstruction programme which was started in the fourth cycle and which is now maintained in a state of readiness, to be reactivated when circumstances permit. In the meantime, normal development work is being undertaken in the rest of the country.

III. MANAGEMENT OF COUNTRY PROGRAMME IMPLEMENTATION

9. Within the thematic framework of the fifth country programme, UNDP resources will be managed jointly with the Government in a flexible, rolling manner. This flexibility will be necessary in order to respond to the dynamic economic and political setting in Sri Lanka. Each of the main themes represents a coherent strategy for intervention which is more sharply focused in the sub-themes. The country programme will be in a state of transition from an essentially project-focused effort; however, there will be a mix of projects and programmes under each of the themes.

10. The country programme will be reviewed annually together with the External Resources Department of the Ministry of Finance and the Ministry of Policy, Planning and Implementation, particularly to review the extent that the objectives of the various themes and sub-themes are being achieved and in relation to the performance indicators specified for each theme. Specific programmes and projects within the themes will be subject to established UNDP monitoring and evaluation procedures. Sectoral reviews will be undertaken, as needed, with assistance of the United Nations specialized agencies, in order to update the programme in terms of changing conditions and priorities within sectors and also to keep abreast of the activities of partner bilateral and multilateral aid organizations, as well as NGOs. Aid coordination is essentially a prerogative of the Government, and UNDP assistance will be aimed at further strengthening the capacity of the Ministries of Planning and Finance, as well as within the major sectoral ministries, to assume a leadership role in such activities.

11. The Government supports the modality of national execution, and wishes to see an increasing number of UNDP activities executed in this way, while at the same time maintaining a substantive partnership with the specialized agencies of the United Nations. In this connection, UNDP assistance will be directed first to strengthening a capacity for national implementation of UNDP inputs, through training designed to enhance the management of UNDP projects and programmes by national project directors and, secondly, through building up a unit in an appropriate entity of the Government to provide policy coordination and guidance in this area. It should be emphasized, however, that national management of all UNDP-supported projects and programmes is a long-standing characteristic of the Sri Lanka programme.

IV. RECOMMENDATION

12. In summary, the fifth country programme for Sri Lanka reflects the Government's priorities for the use of UNDP resources in support of its development priorities and objectives. The fifth country programme also reflects the areas of focus contained in Governing Council decision 90/34.

13. On the basis of the foregoing, the Administrator recommends that the Governing Council approve the fifth country programme for Sri Lanka.